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# SME Financing in Europe: Cross-Country Determinants of Debt Maturity

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## Abstract

We examine the influence of cross country differences on debt maturity for small and medium size enterprises (SMEs) using a sample of 3366 SMEs from 19 European countries. We analyze a country's legal environment, institutional environment, banking structure and economic situation while controlling for firm specific characteristic. We find that SMEs in countries with high property rights that protect their creditors or enforce existing laws are more likely to obtain long-term debt. We also show evidence that banks seem to rely more on the legal, economic, and institutional determinants when determining the length of a loan agreement for micro firms than when granting loans to medium size firms.

**Key words:** Debt maturity, Small business lending, Banks, Legal system.

**JEL Classifications:** G21, G30, G32

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## Abstract

We examine the influence of cross country differences on debt maturity for small and medium size enterprises (SMEs) using a sample of 3366 SMEs from 19 European countries. We analyze a country's legal environment, institutional environment, banking structure and economic situation while controlling for firm specific characteristic. We find that SMEs in countries with high property rights that protect their creditors or enforce existing laws are more likely to obtain long-term debt. We also show evidence that banks seem to rely more on the legal, economic, and institutional determinants when determining the length of a loan agreement for micro firms than when granting loans to medium size firms.



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## 1 Introduction

Previous work finds a relationship between debt maturity and the legal, financial, and economic environment. For example, Demirgüç-Kunt and Maksimovic (1999) report evidence of systematic differences across countries in the maturity of debt contracts for publicly traded firms. Fan et al. (working paper) who examine the capital structure and debt maturity choices of listed firms in 39 countries show that capital structure is determined more by the country in which the firm is located than by the industry sector it operates in. More recently, Bancel and Mittoo (2004) find that factors related to debt are influenced more by the country's institutional structure than those related to equity, while Hall et al. (2004) report that although, capital structure of SMEs can for a large part be explained by firm specific determinants, the effect of these determinants varies by country. However, which country specific determinants do affect capital structure of SMEs still remains unclear.

In this paper we use a unique sample of 3366 SMEs from 19 European countries to examine the influence of cross country differences on debt maturity for micro, small and medium enterprises. As mentioned above the literature reports evidence of a relationship between country specific determinants and debt maturity for publicly traded firms, but what the effect of these determinants is on debt maturity for SMEs is an unexplored area. This knowledge seems especially important in light of the ongoing process of the European unification. If country specific characteristics influence SME loan structure and hence access to finance, the impact of policy changes on European level could vary significantly for SMEs located in different countries across Europe.

We first examine the impact of cross country differences on debt maturity while controlling for firm specific characteristics. Our results show that cross country differences significantly explain the debt maturity structure of SMEs. In order to understand these country

differences we analyze determinants of the different components of debt maturity. We examine the country's legal environment, institutional environment, banking structure, and economic situation.

Our results indicate that debt maturity is a function of the legal and institutional environment in which the firm operates. More specifically, firms in countries with high property rights that protect its creditors or enforce the existing laws are more likely to obtain long-term bank debt. In addition, firms that operate in a country with a healthy economic outlook are also able to obtain longer term financing. The influence of the legal and institutional environment seems to be more important for micro firm lending, whereas firm specific characteristics determine the length of the loan for medium size firms.

We also provide insight on the effect of the country's legal origin on debt maturity for SMEs. Bank debt maturity of small firms in countries under German civil law and Scandinavian civil law is significantly longer than for firms operating under English common law, while debt maturity for firms in French civil law countries is significantly shorter.

The rest of the paper proceeds as follows. Section 2 discusses the previous literature and provides the motivation for our study, Section 3 presents the data and method, Section 4 presents the results, and Section 5 concludes.

## 2 Theory and Hypotheses Development

In addition to credit risk, informational asymmetries and other firm-bank specific factors, the choice of debt maturity might be dependent of the country specific characteristics where the contracting takes place. Many studies report a significant influence of a country's legal, financial, and economic environment on the defining features of financial securities. For example, debt entitles creditors the power to repossess collateral when the company fails to make promised payments however, this view is not complete. It ignores the effect that this right also depends on the legal rules of the country where the securities are issued. La Porta et

al. (1998), show that law and the quality of its enforcement are potentially important determinants of what rights security holders have and how well these rights are protected. Demirgüç-Kunt and Maksimovic (1998, 1999) argue that short-term financing is more frequently used than long-term financing when the legal system is inefficient or costly to use. They report that large firms in countries with effective legal systems have more long-term debt relative to assets, and their debt is of longer maturity. For firms of smaller size these relations are weaker. Fan et al. (working paper) come to similar conclusions.

Not only the legal environment, but also the structure of the banking sector and the economic situation seems to play a crucial role in determining a firm's capital structure. However, the evidence is not conclusive. Demirgüç-Kunt and Maksimovic (1999) find that in countries with a large banking sector, firms have less short-term debt and debt with longer maturities. This in contrast with Fan et al. (working paper) who find evidence that debt maturity is negatively associated with the size of the banking sector. As for the economic situation, if we assume that the firm's financing needs for long-term debt depends on its growth rate and if the investment opportunities in an economy are correlated with this growth rate, one might expect a relationship between the growth rate of individual firms and the development of the economy. Demirgüç-Kunt and Maksimovic (1999) show that debt maturity is negatively related to inflation and positively related to the level of economic development. Whereas Fan et al. (working paper) suggests that these factors are unrelated to the maturity of loans.

Although, many studies report on the relationship between country specific characteristics and capital structure, little is known about this relationship for SMEs. We contribute to this line of literature by specifically examining the effect of country specific characteristics on debt maturity of small and medium enterprises in 19 European countries. In light of the ongoing process of the European unification it is important to know if, and how,

SMEs are affected by country specific differences in their legal, institutional and economic environment. This knowledge allows policy makers to make predictions about changes in access to SME financing due to proposed policy changes, such as Basel II.

## 3 Data and Method

### 3.1 *Data*

The initial sample uses several data sources. First, country-level information is obtained from La Porta et al. (1998), the Conference on Bank Concentration and Competition, the United Nations Statistics Division and the Heritage Foundation.

Second, firm specific variables are obtained from the 2002 ENSR Survey on Small and Medium-Sized Enterprises, Observatory of European SMEs, provided by the EIM Business and Policy Research in the Netherlands.[1] From the 7669 checked and approved interviews that are available in the ENSR Survey 2002, we selected the 3366 observations that contain information about the debt maturity of the individual firms. In table I we provide the distribution of the sample by countries and sectors. The number of firms per country ranges from 47 in Liechtenstein, to 314 in Italy. As for the nine activity sectors considered in the survey, the lowest representation corresponds to the Repair and Hotels/Catering industries with 82 and 176 observations respectively, whereas 486 and 607 firms belong to the Manufacturing and Construction industries respectively. In fact, Table I shows that in our sample the latter, in terms of percentage of firms, are the main activities in 10 out of nineteen countries (Austria, Denmark, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Norway, Spain, and the UK).

**3.2** *Method*

To assess the impact of country specific characteristics on bank-debt maturity we estimate regressions in the following form:

$$BDM_i = \alpha_0 + \beta_1 \mathrm{LE_i} + \beta_2 \mathrm{BSS_i} + \beta_3 ES_i + \beta_4 IE_i + \beta_5 FSC_i + \varepsilon_i \qquad (1)$$

Where i index firm i; $BDM_i$ is the bank-debt maturity for firm i; $\mathrm{LE_i}$ is the vector of legal environment variables, $BSS_i$ is a vector of banking sector structure variables; $ES_i$ is the vector of economic situation variables, $\mathrm{IE_i}$ is a vector of institutional environment variables; $\mathrm{FSC_i}$ represents the set of firm-specific control variables and $\varepsilon_i$ is the residual.

*3.2.1 The dependent variable*

To create the dependent variable we utilize the ENSR Survey in which managers are asked the term for the largest loan the firm has received from any bank during the last 3 years. The answers are categorized as follows: (1) less than 1 month, (2) 1 to 6 months, (3) 6 months to 1 year, (4) 1 to 3 years, (5) 3 to 5 years, and (5) 5 years or longer. Using these answers we build a dummy variable, bank-debt maturity, which is given a value of one when the debt maturity longer than one year and zero otherwise.[2]

Table II, panel A gives an overview of debt maturity by country ranked in ascending order. The average ranks from 4.16 (Italy), the shortest average maturity, to 5.50 (Norway), the longest. In panel B debt maturity is shown by firm size. Small firms have on average shorter debt maturity (4.70), while large firms have on average longer debt maturity (5.10).

*3.2.2. The independent variables*

In this section we describe the explanatory variables utilized in our posterior analysis of debt maturity. Table III provides detailed definitions of all the variables.

*Country specific characteristics*

To analyze the effect of country specific characteristics on debt maturity, we include several variables in our regressions based on the legal, institutional and economic environment.

We use the variables creditor rights, law & order, and legal efficiency to account for the differences in the legal environment. A country's legal origin determines its commercial laws. Commercial laws basically come from two broad traditions: common law, which is English in origin, and civil law which derives from Roman law. Within the civil tradition, commercial laws originate from three major families: French, German and Scandinavian.[3]

La Porta et. Al (1998) identify two general creditor strategies which deal with defaulting firms, being liquidation and reorganization. Following Demirgüç-Kunt and Maksimovic (1999) we utilize a variable creditor rights which tabulate scores in both, reorganization as well as liquidation.

Debt maturity could also be influenced by the quality of legal system enforcement. La Porta et al. (1998) find that high quality of legal system enforcement could substitute for weak rules since active and well-functioning courts can step in and rescue investors abused by firm management. Similar to Demirgüç-Kunt and Maksimovic (1999) we define two indicators of the strength of enforcement of creditor rights which we call law & order and legal efficiency.[4] The first is an assessment of the law and order tradition in the country produced by the country risk rating agency International Country Risk (ICR). This index ranges from zero to 10. Low levels of the score denote less reliance on the legal system to mediate disputes. The

second indicator, legal efficiency, is an index produced by the country risk rating agency Business International Corporation. It is an assessment of the efficiency and integrity of the legal environment as it affects business and ranges from zero to ten, with lower scores indicating lower efficiency levels. The predicted sign of the legal environment variables is positive, because we expect firms in countries with more creditor rights and in countries with higher quality of legal enforcement to obtain loans of longer maturity.

To proxy the banking sector structure we utilize the variables private credit and banking concentration. Private credit is measured by claims on the private sector by deposit money banks to GDP. This is a measure of the development of the financial intermediaries that isolate credit issued to the private sector as opposed to credit to governments and public enterprises. Banking concentration equals the fraction of bank assets held by the three largest commercial banks in each country. Based on both the theory and the empirical evidence we have presented in the previous section, we can expect either a positive or negative relationship between the level of activity and the degree of concentration of the banking sector and the debt maturity of small firms.

To test the influence of the state of the economy on the debt maturity we create three variables, (1) GDP capita, (2) GDP growth, and (3) inflation. GDP capita is measured as real GDP per capita, averaged over the period 1990-2000 and expressed in 1990 US dollars, GDP growth equals the average rate of real GDP growth, averaged over the same period as before, and inflation equals the log difference of the GDP deflator over 1990-2000. The state of the economy could influence the debt maturity structure in two ways. On the one hand, the firm's need for long-term financing may depends on its growth opportunities which, in turn may be driven by the overall economic development. On the other hand, a low level of inflation may facilitate the issuance of longer-term contracts. We expect a positive relation between the economic development and the debt maturity of loans, i.e. a positive sign on the coefficients

of GDP capita and GDP growth, and negative relation between the level of inflation and the debt maturity of firms.

Similar to Demirgüç-Kunt et al. (2003) we also define economic freedom and property rights as indicators of a country's overall institutional environment. Economic freedom is a composite index of 10 institutional factors determining economic freedom that comes from the Economic Freedom Index of the Heritage Foundation. This index ranges from 1 to 5, with large values implying greater protection of freedoms. Economic freedom is highest in U.K., at 4.13, and lowest in Greece, at 3.18. The variable property rights is an indicator of the protection of private property rights that comes from the Economic Freedom Index of the Heritage Foundation. This index ranges from 1 to 5. Higher values signify greater protection of private property rights. This index only takes on the values 4 or 5 for the countries in our sample. The expected sign on the coefficients is ambiguous. Bianco et al. (2002), show that improvements in the institutional environment increase the value of collateral for bank loans and thus reduce the risk of existing borrowers. Hence, a positive relation between these variables and bank debt maturity is expected. However, such improvements can extend the credit market to low-grade borrowers and thereby raise the average risk of loans. Banks might react to this by shortening the terms of the loan to reduce risk.

*Firm specific characteristics*

To account for sample heterogeneity we include several firm specific control variables in our models. Firm size is one of the known determinants of debt maturity. To proxy for firm size we use the number of employees working in the firm. This variable is coded from 1 to 3, where 1 represents firms with 0-9 employees, 2 are firms with 10-49 employees and 3 are firms with 50-249 employees, or what we respectively call micro, small and medium firms. The variable age reflects the number of years that the firm has been in operation. It ranges

from 1 to 4, with 1 being less than two years in operation, 2 representing two to five years, 3 being six to ten years, and 4 more than ten years in operation. The variable debt is the total amount of firm liabilities to all its banks and used to proxy for firm leverage. It ranges from 1 to 6, with higher values indicating higher leverage. Finally, to proxy the firm's financial access we include the variable availability, which equals one when the firm received all the loans requested from its bank(s) in the last 3 years and zero otherwise.

## 4 Results

### 4.1 *Descriptive and univariate statistics*

Table IV reports the mean scores of the country specific variables by country. There seems to be considerable cross-country variation in our sample. For example, Denmark, Germany and United Kingdom do have strong protection laws in place, while creditors in France, Finland, Greece, Ireland Portugal and Switzerland are hardly at all protected by law. The quality of legal enforcement is weakest in the majority of the French-civil-law countries which are France, Greece, Italy, Portugal and Spain, whereas the Scandinavian-civil-law countries demonstrate the highest quality of law enforcement.

The ratio of deposit money of banks to GDP ranges from the highest 1.69 in Switzerland to the lowest 0.26 in Greece. As for the percentage of assets held by the three largest banks, we find the higher rates in Iceland, Netherlands and Sweden, 87%, 81% and 78% respectively, whereas lower levels of concentration corresponds to Luxembourg, Italy, Germany and France, respectively 21%, 30%, 32% and 33%.

The most developed countries in our sample – in terms of GDP per capita – are Luxembourg, Switzerland and Liechtenstein, whereas on the other side of the spectrum are Portugal and Greece. The GDP growth is highest in Ireland, at 7.3%, and lowest in

Switzerland, at 1.13%. As for the level of inflation, it ranges from -0.32 in Finland to 0.14 in U.K.

Table V shows the mean (median) scores of the country and firm specific variables for the full sample and the sub-samples based on legal origin.[5] We test if the means of the sub-samples are significantly different from each other. They differ significantly ($\alpha$=0.01) for almost all of the country specific variables, indicating that the legal, economic, and institutional environment variables vary among countries with different legal origin. French law countries score lowest on the legal environment and institutional variables, while creditors in common law countries enjoy the highest protection and the legal efficiency is highest in Scandinavian law countries.

### **4.2** *Regression Analyses of Bank-Debt Maturity*

In model 1 of table VI, we first analyze the existence cross-country differences in the use of long-term debt by regressing the variable bank debt maturity on eighteen country dummies – we don't include a dummy for The Netherlands, which is our base category. The results indicate the existence of significant cross-country differences in bank-debt maturity, appearing to be two groups of countries. On one side of the spectrum, we find negative and significant coefficients for France, Greece, Italy, and Portugal indicating that SMEs in those countries obtain loans of shorter maturity than firms in the Netherlands. On the other side, SMEs in Austria, Denmark, Finland, Germany, Iceland and Norway are more likely to obtain long-term debt. It seems that legal origin elucidates the differences in the use of short-term debt between these countries. Although, all of them are civil-law countries, they belong to different families. Those with shorter-term debt – France, Greece, Italy and Portugal – are classified as French-civil-law countries, whereas the others are either German-civil-law or Scandinavian-civil-law countries. According to La Porta et al. (1998) German-civil-law and

Scandinavian countries give creditors stronger protection and have higher quality of law enforcement than French-civil-law countries. Stronger creditor protection reduces risk for lending institutions and may increase their willingness to lengthen the maturity of loans, explaining why firms in German- and Scandinavian-civil-law countries are more likely to obtain long-term debt.

In model 2 of table VI we group the countries according to their legal origin and regresses bank-debt maturity on these four groups, using French-common-law as our reference group.[6] Consistent with the findings of la Porta et al. (1998) we find that firms in countries under German-civil-law and Scandinavian-civil-law have significantly more long term debt ($\alpha$=0.01) than firms operating under French-civil-law, while debt maturity for firms in Common-law countries is significantly longer at the 10 percent level.

Now that we have established the existence of cross-country differences in the use of long-term debt, we examine the origin of such variations using our set of country-level variables. According to Demirgüç-Kunt and Maksimovic (1999), the problem when explaining differences in financial structures across nations by institutional factors is that the development of these institutions are correlated. To avoid this endogeneity problem we regress bank-debt maturity on each group of country-level variables separately before estimating a joined model.

In table VII, model 1 the results with regard to the legal environment are presented. The variables creditor rights and law & order are both significant at the 1% level. The expected positive signs attest that firms in countries with higher protection of creditor rights and more tradition for law and order obtain debt of longer maturity. This is consistent with our previous evidence indicating that firms in countries that protect creditors and enforce the law are more likely to acquire long-term debt. Demirgüç-Kunt and Maksimovic (1999) report

for a sample of large firms similar results for the impact of legal tradition on debt maturity, but not for creditor rights.

In Model 2 we analyze the banking sector structure variables. The evidence indicates that they also play an important role in determining the use of long-term debt. The coefficient of the variable private credit is positive and significant at the 1% level. Consistent with the result presented by Demirgüç-Kunt and Maksimovic (1999), this suggests that a large banking sector enables small firms to extend the maturity of their loans. We find also evidence that the higher the concentration of the banking market, the longer the maturity of the loans. The indicator of the fraction of assets held by the three largest banks in the country is positive and significant at the 1% level. This result confirms Petersen and Rajan's (1995) argument about the positive effect of reduced credit market competition on banks' incentives to invest in close relationships with their borrowers. The risk reduction induced by these relationships enables banks to grant debt of longer maturity to relationship borrowers than to other firms.

Inspection of model 3 reveals that the economic variables also explain some of the variation in debt maturity. The ratio of GDP to population and the rate of growth in GDP are both significant at the one percent level, and positively associated with long-term borrowing. The variable inflation has a negative coefficient and is significant at the 10% level. Consistent with the results reported by Fan et al. (working paper) and Demirgüç-Kunt and Maksimovic (1999), high levels of inflation seem to negatively affect the use long-term debt.

In model 4, we also find that higher property rights are positively associated with debt maturity ($\alpha$=0.01), indicating that firms in countries with higher property rights are more likely to obtain long term debt.

After analyzing the association between bank-debt maturity and each group of country-level variables, we estimate a joined regression in model 5. Indeed, we find some differences compared to the results reported above, which confirms the lack of independence

put forward by Demirgüç-Kunt and Maksimovic (1999). The significance of the ratio of GDP per capita and banking concentration disappears, whereas the variable economic freedom becomes significant.

In model 1 of Table VIII, we add the firm specific control variables to our country dummies. The results are not qualitatively affected after the inclusion of the firm specific control variables and also the ranking of countries in terms of bank-debt maturity remains unchanged with respect to our previous results. As reported in table VI we still observe that cross country variation is significant in explaining debt maturity of SMEs.

In addition, all the firm specific control variables are statistically significant. Consistent with the liquidity risk theory (Diamond, 1991), firms with a high financial leverage extend the maturity of their debt in order to avoid liquidity risk associated with the use of short-term debt. Also consistent with the evidence presented by Heyman et al. (2003) and Ortiz-Molina and Penas (working paper), our results suggest that better quality firms – proxied by the availability of credit – are more likely to receive long-term debt.

Regarding the size of the firm, the negative coefficient of the variable employees indicates that larger firms use more short-term debt. Financial theory would suggest the opposite relation because large firms are less exposed to asymmetric information problems and have more collateral to guarantee loans. However, one can also argue that large firms can use lower priced, short-term debt due to lower liquidity risk. In this case the relation between size and short-term debt is expected to be positive. The positive sign on the age coefficient indicates that older firms are more likely to obtain loans of longer maturity which is in line with our expectations because these firms are usually exposed to less asymmetric information problems than younger firms.

In the second model we replace the country dummies for the legal origin dummies. Again, the results do not change for both, the legal origin dummies and the firm specific

control variables. Consistent with what we found in table VI, firms in countries under German-civil-law and Scandinavian-civil-law have significantly more long term debt ($\alpha$=0.01) than firms operating under French-civil-law, while debt maturity for firms in Common-law countries is significantly longer at the 10 percent level.

Model 3 explains the nature of the observed cross country variation by analyzing the determinants of the different components of debt maturity while controlling for firm specific characteristics. The results are qualitative the same as in table VII.

Given the special characteristics of small firms which are the most opaque, we bifurcate our sample into the smallest firms, i.e. micro firms with maximum 9 employees, and medium size firms, i.e. between 50 and 249 employees and regress debt maturity on the firm and country-level variables. The results are reported in table IX.

Interestingly, the significance of the country-level variables remains qualitatively the same for micro firms, while the significance of the firm specific control variables disappears. This is exactly the opposite for the medium size firms. More specifically, creditor rights, law & order, GDP growth, and economic freedom are strongly statistically significant in our micro firm sample, whereas for medium size firms only the assessment of the law and order tradition is weakly significant.[7] Since loans involving very small firms are more complex and riskier due to higher asymmetric information problems, it seems logical that banks rely more on the legal, economic and institutional elements when determining the length of the loan agreement. This result seems to be in line with the findings of Jõeveer (working paper), who shows that country factors are more important for small firms than large firms when explaining leverage variation.

## 5 Summary and Conclusion

Using a unique sample of 3366 SMEs from 19 European countries, we examine the influence of cross country differences on debt maturity for micro, small and medium size enterprises. It is important to know how SME debt maturity is affected by country specific differences in their legal, institutional and economic environment, because this knowledge allows policy makers to predict the impact of proposed policy changes on access to SME financing. Many studies report on the relationship between country specific characteristics and debt maturity for publicly traded firms however, little is known about this relationship for small and medium enterprises.

We analyze determinants of the different components of debt maturity by examining the country's legal environment, institutional environment, banking structure, and economic situation, while controlling for firm specific characteristics. A very interesting finding is that even after the inclusion of the firm specific control variables, the country specific factors remain significantly important in explaining loan maturity. Our results indicate that debt maturity is a function of the legal and institutional environment. More specifically, firms in countries with high property rights that protect creditors or enforce the existing laws are more likely to obtain long-term bank debt. In addition, SMEs that operate in a country with a healthy economic outlook are also able to obtain longer term financing. We also provide inside on the effect of the country's legal origin on debt maturity for SMEs. Small firms in countries under German and Scandinavian civil law and English common law are more likely to obtain bank loans of longer maturity compared to SMEs in countries under French civil law.

There is one note of caution with regard to our results. SMEs are small, privately held companies and therefore, are not required to provide publicly available financial statements. Financial information about SMEs is difficult to obtain and often has to come from survey

data, like in our sample. We recognize that survey data might create potential biases and possible measurement problems. However, we believe that our sample is large enough that, although cautiously, valid conclusions can be drawn.

**Acknowledgments**

The permission of the EIM Business and Policy Research in the Netherlands to use the 2002 ENSR survey data and to publish findings based on analysis of that data is gratefully acknowledged. Responsibility for interpretation of the findings lies solely with the authors.

## Endnotes

[1] The 2002 ENSR Survey on SMEs uses a Computer Assisted Telephone Interviewing (CATI) system to collect data from entrepreneurs and managers within SMEs, all being independent private enterprises with less than 250 employees in all sectors of industry in Europe. The survey was conducted from April-August 2001. To arrive at sufficiently reliable conclusions at the level of size classes within individual countries more than 100 interviews for each size class-country combination were carried out, finally resulting in 7699 completed interviews. The overall design and implementation of the stratification, the questionnaire and the fieldwork were done in close collaboration between staff from EIM Business & Policy Research in the Netherlands, partners in the ENSR network and Intromart.
See http://europa.eu.int/comm/enterprise/enterprise_policy/analysis/observatory_en.htm for further information.

[2] We also build a dummy variable which equals one if the term of the largest loan is longer than three years, and zero otherwise. As a robustness test, we rerun all our analyses using this specification as well. Results are qualitative the same.

[3] According to La Porta et al (1998), Ireland and United Kingdom are common-law countries; Belgium, France, Greece, Italy, Netherlands, Portugal and Spain are French-origin; Austria, Germany and Switzerland are German-origin; Denmark, Finland, Norway and Sweden are Scandinavian-origin.

[4] We define both variables using information reported by La Porta et al. (1998).

[5] We use the same legal origin classification as La Porta et al. (1998). The United Kingdom and Ireland are under English common law. Belgium, the Netherlands, France, Italy, Portugal, Spain are under French civil law. Austria, Germany and Switzerland are under German civil law. Denmark, Finland, Norway, and Sweden are under Scandinavian civil law. Iceland, Lichtenstein and Luxembourg are undefined and left out of the analysis.

[6] Iceland, Lichtenstein and Luxembourg are undefined and left out of the analysis.

[7] The signs of all the coefficients are consistent with our previous results employing the whole sample.

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Table I
Sample distribution by country and sector

| Country | Manufacturing | Construction | Wholesale Trade | Retail Trade | Hotels/ Catering | Repair | Transport/ Communications | Business Services | Other Service Industries | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Austria | 28 (13.79) | 55 (27.09) | 20 (9.85) | 13 (6.40) | 11 (5.42) | 8 (3.94) | 36 (17.73) | 22 (10.84) | 10 (4.93) | 203 (100) |
| Belgium | 22 (9.61) | 23 (10.04) | 73 (31.88) | 40 (17.47) | 13 (5.68) | 4 (1.75) | 26 (11.35) | 16 (6.99) | 12 (5.24) | 229 (100) |
| Denmark | 12 (12.64) | 35 (35.71) | 14 (14.29) | 6 (6.12) | 5 (5.10) | 3 (3.06) | 12 (12.24) | 5 (5.10) | 6 (6.12) | 98 (100) |
| Finland | 27 (16.07) | 21 (12.50) | 16 (9.52) | 18 (10.71) | 2 (1.19) | 1 (0.60) | 59 (35.12) | 7 (4.17) | 17 (10.12) | 168 (100) |
| France | 29 (10.21) | 34 (11.97) | 15 (5.28) | 62 (21.83) | 24 (8.45) | 10 (3.52) | 30 (10.56) | 43 (15.14) | 37 (13.03) | 284 (100) |
| Germany | 23 (10.85) | 26 (12.26) | 16 (7.55) | 32 (15.09) | 19 (8.96) | 6 (2.83) | 14 (6.60) | 40 (18.87) | 36 (16.98) | 212 (100) |
| Greece | 23 (12.99) | 14 (7.91) | 25 (14.12) | 67 (37.85) | 15 (8.47) | 1 (0.56) | 17 (9.60) | 8 (4.52) | 7 (3.95) | 177 (100) |
| Iceland | 60 (29.85) | 21 (10.45) | 33 (16.42) | 19 (9.45) | 5 (2.49) | 8 (3.98) | 11 (5.47) | 12 (5.97) | 32 (15.92) | 201 (100) |
| Ireland | 25 (20.33) | 25 (20.33) | 16 (13.01) | 12 (9.76) | 6 (4.88) | 1 (0.81) | 20 (16.26) | 11 (8.94) | 7 (5.69) | 123 (100) |
| Italy | 82 (26.11) | 35 (11.15) | 30 (9.55) | 35 (11.15) | 20 (6.37) | 8 (2.55) | 16 (5.10) | 30 (9.55) | 58 (18.47) | 314 (100) |
| Liechtenstein | 12 (25.53) | 1 (2.13) | 5 (10.64) | 5 (10.64) | 4 (8.51) | 1 (2.13) | 7 (14.89) | 5 (10.64) | 7 (14.89) | 47 (100) |
| Luxembourg | 11 (10.19) | 17 (15.74) | 16 (14.81) | 15 (13.89) | 13 (12.04) | 2 (1.85) | 16 (14.81) | 10 (9.26) | 8 (7.41) | 108 (100) |
| Netherlands | 24 (14.29) | 24 (14.29) | 20 (11.90) | 36 (21.43) | 5 (2.98) | 2 (1.19) | 22 (13.10) | 27 (16.07) | 8 (4.76) | 168 (100) |
| Norway | 20 (12.12) | 60 (36.36) | 19 (11.52) | 13 (7.88) | 6 (3.64) | 4 (2.42) | 20 (12.12) | 10 (6.06) | 13 (7.88) | 165 (100) |
| Portugal | 20 (13.51) | 8 (5.41) | 18 (12.16) | 37 (25.00) | 4 (2.70) | 3 (2.03) | 18 (12.16) | 37 (25.00) | 3 (2.03) | 148 (100) |
| Spain | 85 (35.42) | 22 (9.17) | 14 (5.83) | 32 (13.33) | 12 (5.00) | 3 (1.25) | 25 (10.42) | 29 (12.08) | 18 (7.50) | 240 (100) |
| Sweden | 29 (21.80) | 16 (12.03) | 6 (4.51) | 5 (3.76) | 2 (1.50) | 8 (6.02) | 46 (34.59) | 9 (6.77) | 12 (9.02) | 133 (100) |
| Switzerland | 17 (13.60) | 13 (10.40) | 32 (25.60) | 7 (5.60) | 7 (5.60) | 3 (2.40) | 29 (23.20) | 9 (7.20) | 8 (6.40) | 125 (100) |
| UK | 58 (26.01) | 36 (16.14) | 15 (6.73) | 15 (6.73) | 3 (1.35) | 6 (2.69) | 19 (8.52) | 32 (14.35) | 39 (17.49) | 223 (100) |
| Total | 607 | 486 | 403 | 469 | 176 | 82 | 443 | 362 | 338 | 3366 |

Table II
Overview of debt maturity by country and firm size

| Country | N | Average | < 1 month | 1 to 6 months | 6 to 12 months | 1 to 3 years | 3 to 5 years | > 5 years |
|---|---|---|---|---|---|---|---|---|
| *Panel A: Debt Maturity by Country* | | | | | | | | |
| Italy | 314 | 4.1592 | 11 | 49 | 30 | 85 | 67 | 72 |
| Greece | 177 | 4.1751 | 2 | 26 | 39 | 34 | 24 | 52 |
| France | 284 | 4.2535 | 23 | 32 | 20 | 51 | 91 | 67 |
| UK | 223 | 4.4081 | 11 | 7 | 28 | 58 | 72 | 47 |
| Portugal | 148 | 4.4324 | 4 | 19 | 14 | 32 | 30 | 49 |
| Liechtenstein | 47 | 4.7021 | 3 | 1 | 5 | 11 | 5 | 22 |
| Switzerland | 125 | 4.7600 | 1 | 7 | 17 | 22 | 27 | 51 |
| Sweden | 133 | 4.8045 | 8 | 6 | 5 | 25 | 30 | 59 |
| Luxembourg | 108 | 4.8981 | 2 | 5 | 9 | 18 | 26 | 48 |
| Belgium | 229 | 4.9563 | 9 | 12 | 7 | 34 | 57 | 110 |
| Ireland | 123 | 4.9756 | 1 | 4 | 10 | 22 | 31 | 55 |
| Netherlands | 168 | 5.0000 | 11 | 7 | 6 | 14 | 39 | 91 |
| Spain | 240 | 5.1083 | 0 | 6 | 20 | 38 | 54 | 122 |
| Finland | 168 | 5.2202 | 1 | 5 | 3 | 26 | 45 | 88 |
| Germany | 212 | 5.2264 | 4 | 3 | 6 | 27 | 60 | 112 |
| Austria | 203 | 5.2956 | 0 | 9 | 6 | 26 | 37 | 125 |
| Iceland | 201 | 5.3234 | 1 | 3 | 3 | 27 | 32 | 131 |
| Denmark | 98 | 5.4898 | 0 | 2 | 2 | 9 | 18 | 67 |
| Norway | 165 | 5.5030 | 3 | 3 | 2 | 12 | 25 | 120 |
| Total | 3366 | | 95 | 208 | 234 | 571 | 770 | 1488 |

| Number employees | N | Average | < 1 month | 1 to 6 months | 6 to 12 months | 1 to 3 years | 3 to 5 years | > 5 years |
|---|---|---|---|---|---|---|---|---|
| *Panel B: Debt Maturity by Firm Size* | | | | | | | | |
| 0-9 | 1711 | 4.6984 | 58 | 112 | 126 | 334 | 443 | 638 |
| 10-49 | 949 | 4.9115 | 21 | 58 | 69 | 147 | 195 | 459 |
| 50-249 | 706 | 5.0637 | 16 | 38 | 39 | 90 | 132 | 391 |
| Total | 3366 | | 95 | 208 | 234 | 571 | 770 | 1488 |

Table III
Variables descriptions and data sources

| Variable name | Description and source |
|---|---|
| *Dependent variable:* | |
| Bank debt maturity[1] | An indicator of the firm's debt maturity measured as a dummy variable that takes on the value one when the debt maturity is longer than one year and zero otherwise. |
| *Country and industry dummies:* | |
| Industry dummies$_9$[1] | Nine industry dummies indicating the firm main activity. Each variable takes on the value one if the firm belongs to one of the following sectors: Manufacturing, Construction, Wholesale Trade, Retail Trade, Hotels & Catering, Repair, Transport & Communications, Business Services, and Other Service Industries; and zero otherwise. |
| Country dummies | Nineteen country dummies. |
| *Legal Environment:* | |
| Creditor rights[2] | An indicator of the protection of creditor rights, calculated by adding 1 for each of the following conditions that the country's bankruptcy law satisfies: (i) the country imposes restrictions, such as creditors' consent or minimum dividends to file for reorganization; (ii) secured creditors are able to gain possession of their security once the reorganization petition has been approved (no automatic stay); (iii) secured creditors are ranked first in the distribution of the proceeds that result from the disposition of the assets of a bankrupt firm; and (iv) the debtor does not retain the administration of its property pending the resolution of the reorganization. The index ranges from zero to four, with higher values indicating the existence of more creditor rights. |
| Law & order[2] | An assessment of the law and order tradition in the country, produced by the country risk rating agency International Country Risk (ICR). Average of the months of April and October of the monthly index over the period 1982-1995. The index ranges from zero to 10, with higher scores denoting more tradition for law and order. |
| Legal efficiency[2] | An assessment of the efficiency and integrity of the legal environment as it affects business, particularly foreign firms, averaged over the period 1980-1983. It is produced by the country risk rating agency Business International Corporation and it may be taken to represent investors' assessments of conditions in the country in question. The index ranges from zero to 10, with higher values indicating higher efficiency levels. |
| *Banking Sector Structure:* | |
| Private credit[3] | A measure of the financial intermediary development, calculated as claims on the private sector by the deposit money banks to GDP. |
| Banking Concentration[3] | A measure of the degree of concentration of the banking sector, calculated as the fraction of assets held by the three largest banks in the country, averaged over the period 1995-1999. |
| *Economic Situation:* | |
| GDP capita[4] | GDP per capita expressed in 1990 U.S. dollars, averaged over the period 1990-2000. |
| GDP growth[4] | Growth in GDP expressed in 1990 U.S. dollars, averaged over the 1990-2000 period. The average growth rate for a period of n years is derived as the geometric mean of the annual growth rates for that period. |
| Inflation[4] | Rate of inflation, calculated as log difference of GDP deflator (1990=100) over 1990-2000 period. |
| *Institutional Environment:* | |
| Economic freedom[5] | A composite of 10 institutional factors determining economic freedom: trade policy, fiscal burden of government, government intervention in the economy, monetary policy, capital flows and foreign investment, banking and finance, wages and prices, property rights, regulation, and black market activity. It is calculated as 6 minus the economic freedom index of the Heritage Foundation, averaged over the period 1997-2000. The index ranges from 1 to 5, with a high scores signifying greater freedom. |
| Property rights[5] | An indicator of the protection of private property rights, calculated as 6 minus the property freedom index of the Heritage Foundation, averaged over the period 1997-2000. The index ranges from 1 to 5, with higher values indicating higher protection of property rights. |
| *Firm Specific Characteristics:* | |

| | |
|---|---|
| Employees[1] | An indicator of the firm size, which takes on the values: 1 when the firm has less than 9 employees, 2 when the number of employees is between 10 and 49, and 3 when the firm has more than 49 employees. |
| Age[1] | A measure of the number of years that the firm has been in operation, which takes on the values: 1 when it has been less than 2 years, 2 when it has been between 2 and 5 years, 3 when it has been between 6 and 10 years, and 4 when it has been more than 10 years. |
| Debt[1] | A measure of the amount of liabilities to all of the firm's banks, which takes on the values: 1 when the liabilities amount to less than 89485 U.S. dollars, 2 when they do between 89486 and 447422, 3 when they do between 447423 and 894846, 4 when they do between 894847 and 2684539, 5 when they do between 2684540 and 4474232, and 6 when the liabilities are above 4474233 U.S. dollars. |
| Availability[1] | An indicator of the financial situation of the firm, which equals one when the firm got all the loans it requested from its bank(s) in the last 3 years and zero otherwise. |

Data Sources:
[1] 2002 ENSR Survey on SMEs.
[2] La Porta, López-De Silanes, Schleifer and Vishny (1998).
[3] Conference on Bank Concentration and Competition.
http://www.worldbank.org/research/interest/confs/042003/data.htm
[4] United Nations Statistics Division.
[5] Economic Freedom Index of the Heritage Foundation.

Table IV
Country specific characteristics

| | Creditor rights | Law & Order | Legal efficiency | Private credit | Banking Concentration | GDP capita | GDP growth | Inflation | Economic Freedom | Property rights |
|---|---|---|---|---|---|---|---|---|---|---|
| Austria | 3 | 10 | 9.5 | 0.99 | 0.44 | 22636 | 2.59 | -0.072 | 3.96 | 5 |
| Belgium | 2 | 10 | 9.5 | 0.76 | 0.75 | 21289 | 2.25 | -0.067 | 3.93 | 5 |
| Denmark | 3 | 10 | 10 | 0.34 | 0.71 | 28245 | 2.21 | -0.059 | 3.88 | 5 |
| Finland | 1 | 10 | 10 | 0.51 | 0.75 | 27137 | 1.67 | -0.319 | 3.87 | 5 |
| France | 0 | 8.98 | 8 | 0.82 | 0.33 | 22407 | 1.93 | -0.112 | 3.64 | 4 |
| Germany | 3 | 9.23 | 9 | 1.14 | 0.32 | 22730 | 2.26 | -0.078 | 3.72 | 5 |
| Greece | 1 | 6.18 | 7 | 0.26 | 0.71 | 8764 | 2.12 | 0.069 | 3.18 | 4 |
| Iceland | - | - | - | 0.66 | 0.87 | 25066 | 2.54 | 0.038 | 3.80 | 5 |
| Ireland | 1 | 7.8 | 8.75 | 0.51 | 0.68 | 17527 | 7.33 | -0.003 | 4.07 | 5 |
| Italy | 2 | 8.33 | 6.75 | 0.57 | 0.30 | 20579 | 1.64 | -0.185 | 3.70 | 4 |
| Liechtenstein | - | - | - | - | - | 32788 | 1.86 | -0.036 | - | - |
| Luxembourg | - | - | - | 0.94 | 0.21 | 34850 | 5.49 | 0.033 | 4.07 | 5 |
| Netherlands | 2 | 10 | 10 | 1.06 | 0.81 | 21624 | 3.01 | -0.058 | 4.02 | 5 |
| Norway | 2 | 10 | 10 | 0.61 | 0.61 | 32385 | 3.57 | -0.003 | 3.70 | 5 |
| Portugal | 1 | 8.68 | 5.5 | 0.92 | 0.46 | 8093 | 2.91 | 0.122 | 3.63 | 4 |
| Spain | 2 | 7.8 | 6.25 | 0.86 | 0.54 | 14147 | 2.77 | -0.167 | 3.54 | 4 |
| Sweden | 2 | 10 | 10 | 0.41 | 0.78 | 28817 | 1.90 | -0.199 | 3.79 | 4 |
| Switzerland | 1 | 10 | 10 | 1.69 | 0.77 | 32789 | 1.13 | -0.036 | 4.10 | 5 |
| UK | 4 | 8.57 | 10 | 1.18 | 0.47 | 18802 | 2.25 | 0.138 | 4.13 | 5 |

Table V
Univariate statistics of country and firm level variables by legal origin

| Variable | Mean (median) | Legal origin mean (median) | | | | Univariate t-test for difference in means | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Full Sample* | *UK Law* | *Germ Law* | *Scan Law* | *French Law* | *UK=Germ* | *UK=Scan* | *UK=French* | *Germ=Scan* | *Germ=French* | *Scan=French* |
| Creditor rights | 1.88 (2.00) | 2.93 (4.00) | 2.54 (3.00) | 1.88 (2.00) | 1.43 (2.00) | *** | *** | *** | *** | *** | *** |
| Law & order | 9.01 (8.98) | 8.30 (8.57) | 9.70 (10.00) | 10.00 (10.00) | 8.58 (8.68) | *** | *** | *** | *** | *** | *** |
| Legal efficiency | 8.58 (8.58) | 9.56 (10.00) | 9.42 (9.50) | 10.00 (10.00) | 7.56 (7.00) | *** | *** | *** | *** | *** | *** |
| Private credit | 0.80 (0.82) | 0.94 (1.18) | 1.21 (1.14) | 0.49 (0.51) | 0.74 (0.82) | *** | *** | *** | *** | *** | *** |
| Banking concentration | 0.56 (0.54) | 0.55 (0.47) | 0.47 (0.44) | 0.71 (0.75) | 0.53 (0.54) | *** | *** | *** | *** | *** | *** |
| Property rights | 4.61 (5.00) | 5.00 (5.00) | 5.00 (5.00) | 4.76 (5.00) | 4.25 (4.00) | | *** | *** | *** | *** | *** |
| Economic freedom | 3.79 (3.79) | 4.11 (4.13) | 3.90 (3.96) | 3.80 (3.79) | 3.67 (3.64) | *** | *** | *** | *** | *** | *** |
| GDP capita | 22039 (22406) | 18348 (18802) | 25022 (22729) | 29260 (28816) | 17613 (20578) | *** | *** | *** | *** | *** | *** |
| GDP growth | 2.57 (2.25) | 4.06 (2.25) | 2.12 (2.26) | 2.37 (1.90) | 2.28 (2.25) | *** | *** | *** | *** | *** | *** |
| Inflation | -0.06 (-0.07) | 0.09 (0.14) | -0.07 (-0.72) | -0.15 (-0.20) | -0.08 (-0.11) | *** | *** | *** | *** | *** | *** |
| Size | 1.70 (1.00) | 1.57 (1.00) | 1.72 (2.00) | 1.95 (2.00) | 1.66 (1.00) | *** | *** | ** | *** | | *** |
| Debt | 2.17 (2.00) | 1.72 (1.00) | 2.52 (2.00) | 2.46 (2.00) | 2.04 (2.00) | *** | *** | *** | | *** | *** |
| Availability | 0.88 (1.00) | 0.87 (1.00) | 0.89 (1.00) | 0.92 (1.00) | 0.88 (1.00) | | ** | | | | |
| Age | 3.57 (4.00) | 3.47 (4.00) | 3.73 (4.00) | 3.70 (4.00) | 3.50 (4.00) | *** | *** | | | *** | *** |
| Debt maturity | 0.16 (0) | 0.18 (0) | 0.10 (0) | 0.07 (0) | 0.22 (0) | *** | *** | *** | | *** | *** |
| Observations | 3366 | 346 | 540 | 564 | 1560 | | | | | | |

Statistical significance for tests of differences in means at the 10%, 5%, 1% level are indicated by *, **, ***, respectively.

Table VI
Logistic regressions of bank-debt maturity on country dummies

| Variable | (1) | (2) |
|---|---|---|
| Constant | 1.7918*** | 1.2515*** |
| | (0.2205) | (0.0609) |
| *Country dummies* | | |
| Austria | 0.7366** | |
| | (0.3473) | |
| Belgium | 0.1793 | |
| | (0.2988) | |
| Denmark | 1.3652** | |
| | (0.5561) | |
| Finland | 1.0799*** | |
| | (0.4074) | |
| France | -0.7669*** | |
| | (0.2583) | |
| Germany | 0.9366*** | |
| | (0.3613) | |
| Greece | -1.2960*** | |
| | (0.2695) | |
| Iceland | 1.0574*** | |
| | (0.3805) | |
| Ireland | 0.1823 | |
| | (0.3529) | |
| Italy | -0.8799*** | |
| | (0.2534) | |
| Liechtenstein | -0.3514 | |
| | (0.4313) | |
| Luxembourg | -0.0426 | |
| | (0.3493) | |
| Norway | 1.1850*** | |
| | (0.4242) | |
| Portugal | -0.6931** | |
| | (0.2909) | |
| Spain | 0.3161 | |
| | (0.3029) | |
| Sweden | 0 | |
| | (0.3317) | |
| Switzerland | -0.4055 | |
| | (0.3140) | |
| UK | -0.4443 | |
| | (0.2757) | |
| *Legal origin dummies* | | |
| Germlaw | | 0.9664*** |
| | | (0.1569) |
| Scanlaw | | 1.3207*** |
| | | (0.0.1749) |
| Comlaw | | 0.2901* |
| | | (0.1537) |
| Observations | 3366 | 3010 |
| $R^2$ | 0.07 | 0.06 |

Statistical significance at the 10%, 5%, 1% level is indicated by *, **, ***, respectively. Standard errors are in parentheses.

Table VII
Logistic regressions of bank-debt maturity on country-level variables

| | **(1)** | **(2)** | **(3)** | **(4)** | **(5)** |
|---|---|---|---|---|---|
| Constant | -1.8902*** | 0.5182** | -0.0135 | -1.8140** | -1.9678 |
| | (0.3775) | (0.2170) | (0.2082) | (0.8076) | (1.3060) |
| *Legal Environment:* | | | | | |
| Creditor rights | 0.1802*** | | | | 0.3252*** |
| | (0.0518) | | | | (0.0685) |
| Law & order | 0.2991*** | | | | 0.4725*** |
| | (0.0582) | | | | (0.0884) |
| Legal efficiency | 0.0629 | | | | 0.0001 |
| | (0.0452) | | | | (0.0978) |
| *Banking Sector Structure:* | | | | | |
| Private credit | | 0.5149*** | | | 0.5460** |
| | | (0.1714) | | | (0.2607) |
| Banking | | 1.3659*** | | | 0.1781 |
| concentration | | (0.2494) | | | (0.3788) |
| *Economic Situation:* | | | | | |
| GDP capita | | | -0.0001*** | | 0 |
| | | | (0) | | (0) |
| GDP growth | | | 0.2353*** | | 0.3751*** |
| | | | (0.0548) | | (0.0698) |
| Inflation | | | -0.8076* | | -2.5893*** |
| | | | (0.4520) | | (0.7260) |
| *Institutional Environment:* | | | | | |
| Economic | | | | -0.4590 | -2.7491*** |
| freedom | | | | (0.1321) | (0.5152) |
| Property rights | | | | 1.1506*** | 0.7968*** |
| | | | | (0.1421) | (0.2610) |
| Observations | 3010 | 3319 | 3366 | 3319 | 3010 |
| $R^2$ | 0.03 | 0.01 | 0.02 | 0.03 | 0.06 |

Statistical significance at the 10%, 5%, 1% level is indicated by *, **, ***, respectively. Standard errors are in parentheses.

Table VIII
Logistic regressions of bank-debt maturity on country and firm level variables

| Variable | (1) | (2) | (3) |
|---|---|---|---|
| Constant | 0.7844* | -0.0266 | -1.2628 |
| | (0.4217) | (0.3371) | (1.9079) |
| *Country dummies* | | | |
| Austria | 0.8380* | | |
| | (0.4376) | | |
| Belgium | 0.3979 | | |
| | (0.3977) | | |
| Denmark | 1.3154** | | |
| | (0.5776) | | |
| Finland | 1.1250** | | |
| | (0.4723) | | |
| France | -0.6928** | | |
| | (0.3247) | | |
| Germany | 0.4782 | | |
| | (0.5945) | | |
| Greece | -1.2914*** | | |
| | (0.3378) | | |
| Iceland | 1.0958** | | |
| | (0.4372) | | |
| Ireland | 0.3599 | | |
| | (0.4612) | | |
| Italy | -1.0158*** | | |
| | (0.3125) | | |
| Liechtenstein | -1.0277** | | |
| | (0.5048) | | |
| Luxembourg | 0.3161 | | |
| | (0.4849) | | |
| Norway | 1.3612*** | | |
| | (0.4957) | | |
| Portugal | -0.5288 | | |
| | (0.3811) | | |
| Spain | 0.0315 | | |
| | (0.4709) | | |
| Sweden | 0.3112 | | |
| | (0.3984) | | |
| Switzerland | -0.3596 | | |
| | (0.4441) | | |
| UK | -0.4495 | | |
| | (0.3270) | | |
| *Legal Origin Dummies:* | | | |
| Germlaw | | 0.9908*** | |
| | | (0.2361) | |
| Scanlaw | | 1.5315*** | |
| | | (0.2070) | |
| Comlaw | | 0.3446* | |
| | | (0.1824) | |
| *Legal Environment:* | | | |
| Creditor rights | | | 0.2097** |
| | | | (0.0957) |
| Law & order | | | 0.5733*** |
| | | | (0.1203) |
| Legal efficiency | | | 0.0221 |
| | | | (0.1291) |
| *Banking Sector Structure:* | | | |
| Private credit | | | -0.0470 |
| | | | (0.3957) |
| Banking concentration | | | 0.2587 |
| | | | (0.5494) |
| *Economic Situation:* | | | |

| | | | |
|---|---|---|---|
| GDP capita | | | -0.0000 |
| | | | (0.0000) |
| GDP growth | | | 0.3160*** |
| | | | (0.0963) |
| Inflation | | | -1.1003 |
| | | | (1.0196) |
| *Institutional Environment:* | | | |
| Economic freedom | | | -2.1470*** |
| | | | (0.7451) |
| Property rights | | | 0.7462** |
| | | | (0.3247) |
| *Firm-Specific Characteristics:* | | | |
| Size | -0.3657*** | -0.3019*** | -0.3465*** |
| | (0.1048) | (0.1021) | (0.1065) |
| Age | 0.1898** | 0.1820** | 0.1667* |
| | (0.0859) | (0.0857) | (0.0896) |
| Debt | 0.3351*** | 0.3198*** | 0.2974*** |
| | (0.0701) | (0.0693) | (0.0708) |
| Availability | 0.3128* | 0.4469** | 0.4272** |
| | (0.1816) | (0.1811) | (0.1858) |
| Observations | 2132 | 1872 | 1872 |
| $R^2$ | 0.10 | 0.07 | 0.09 |

Statistical significance at the 10%, 5%, 1% level is indicated by *, **, ***, respectively. Standard errors are in parentheses.

Table IX
Logistic regressions of bank-debt maturity on country and firm level variables by firm size

| Variable | MICRO FIRMS (0-9 employees) | MEDIUM FIRMS (50-249 employees) |
|---|---|---|
| Constant | 1.3975 | -6.6586 |
| | (2.9237) | (4.3467) |
| *Country Specific Variables:* | | |
| *Legal Environment:* | | |
| Creditor rights | 0.3706** | -0.1731 |
| | (0.1451) | (0.2623) |
| Law & order | 0.6951*** | 0.4629* |
| | (0.2088) | (0.2444) |
| Legal efficiency | -0.2264 | -0.0053 |
| | (0.2080) | (0.3176) |
| *Banking Sector Structure:* | | |
| Private credit | -0.1449 | -0.3301 |
| | (0.5587) | (0.8662) |
| Banking concentration | 0.5183 | 0.4910 |
| | (0.8213) | (1.4676) |
| *Economic Situation:* | | |
| GDP capita | 0.0000 | 0.0000 |
| | (0.0000) | (0.0000) |
| GDP growth | 0.4615*** | 0.1809 |
| | (0.1582) | (0.2063) |
| Inflation | 1.2174 | -0.3731 |
| | (1.7078) | (2.0994) |
| *Institutional Environment:* | | |
| Economic freedom | -3.1211*** | 0.0166 |
| | (1.2060) | (1.6825) |
| Property rights | 0.8322 | 0.1366 |
| | (0.5622) | (0.7016) |
| *Firm specific Characteristics:* | | |
| Age | -0.0779 | 0.4405* |
| | (0.1153) | (0.2290) |
| Debt | 0.1330 | 0.4125*** |
| | (0.1396) | (0.1151) |
| Availability | 0.4068* | 0.2593 |
| | (0.2471) | (0.4808) |
| Observations | 902 | 446 |
| $R^2$ | 0.08 | 0.10 |

Statistical significance at the 10%, 5%, 1% level is indicated by *, **, ***, respectively. Standard errors are in parentheses.